

June 26, 2006

Ontario Energy Board
Mr. Peter O'Dell
Acting Board Secretary
PO Box 2319
2300 Yonge Street
Toronto, Ontario M4P 1E4

Dear Sirs:

Re: Settlement Proposal filed as part of Submission EB-2005-0499

On February 14, 2006 the Ontario Energy Board (the "OEB") issued its decision and order regarding the Independent Electricity System Operator (the "IESO") Fiscal 2006 Fees Submission. The OEB approved the IESO's fee submission subject to the conditions of approval attached as Appendix A to the OEB's decision and order. These conditions of approval reflected the terms and conditions of the settlement agreement reached between the IESO and the intervenors. In particular, the OEB directed as follows:

The IESO shall report to the Human Resources and Governance Committee of the IESO's Board of Directors the following:

- (i) that some intervenors wish the IESO to design and conduct a study which will explore the advantages and disadvantages of Defined Benefit Programs vs. Defined Contribution Programs for all employee categories of the Applicant;
- (ii) that intervenors wish to have input into the selection of the consultant doing the study and the terms of reference;
- (iii) that the intervenors desire that these concerns be reported to the full Board of Directors of the IESO.

The IESO provide the following to intervenors:

- (i) documentation demonstrating that the Human Resources and Governance Committee of the IESO Board has received and considered the intervenors' request; and

- (ii) the response from the Human Resources and Governance Committee of the IESO Board of Directors to the intervenors' request. The IESO will also file such documentation and response with the OEB as part of this undertaking.

This letter constitutes the documentation and response from the Human Resources and Governance Committee of the IESO Board (the "Committee"). This letter will be provided to the intervenors and is filed with the OEB in fulfillment of the undertaking.

On June 7, 2006, IESO Management reported to the Committee the concerns of certain intervenors as set out above. As part of the IESO's overall programme of risk management, and with the objective of maximizing the value of the services delivered, the Committee oversees the management of the IESO's compensation programs including pension costs. The Committee noted that it is familiar with the characteristics, advantages and disadvantages of defined benefit and defined contribution programs, as well as the labour relations context in which the company operates. After due deliberation, the Committee decided that such a study would not be of value to them in overseeing the IESO's compensation programs. The Committee also noted that Management is always focused on the Corporation's costs generally and compensation programs in particular.

The Chair of the Committee reported the intervenors' concerns to the full IESO Board at its meeting on June 8, 2006 and the Committee's decision regarding the study.

Yours truly,



R. D. Roy Stewart
General Counsel and Corporate Secretary

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